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European Review



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European Review

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Sweden: New Airborne Early Warning Capability



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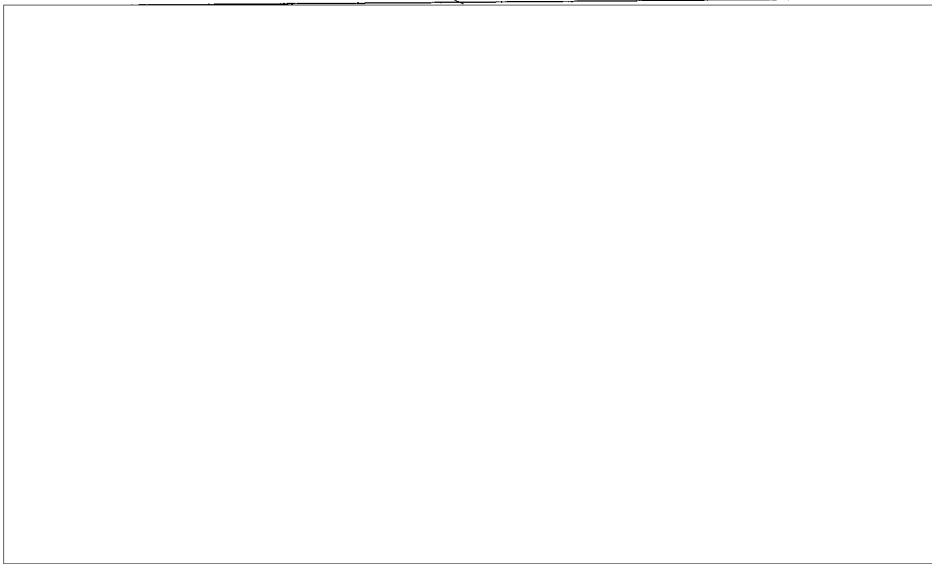
The Swedes are firming up plans to acquire an airborne early warning capability. The Defense Materiel Administration is negotiating with Saab-Scania to equip a small number of Saab-Fairchild SF-340 turboprop commuter aircraft with a new radar being designed by Ericsson. Sweden's goal is to improve the ability of its air defense system to rapidly detect and track surface ships and low-flying aircraft or cruise missiles and to direct fighters to intercept them.



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Some articles are preliminary views of a subject or speculative, but the contents normally will be coordinated as appropriate with other offices within CIA. Occasionally an article will represent the views of a single analyst; these items will be designated as uncoordinated views.



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Briefs

Western Europe**Joint NATO Helicopter Program**

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Five West European countries have signed a memorandum of understanding to develop a naval and tactical transport helicopter, the NH-90, for use by NATO in the mid-1990s. According to press reports, on 27 September the national armaments directors of France, West Germany, Italy, the Netherlands, and Britain launched a 14-month feasibility and design study for the new helicopter. Plans call for the NH-90 to be produced in two models—a naval version for the new NATO frigate and an army version for tactical transport. The study will be conducted by a joint industrial organization composed of Aerospatiale, MBB, Agusta, Fokker, and Westland.

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The West Europeans have had difficulty in concluding earlier multinational aircraft programs, and this new venture is likely to encounter similar problems. For example, the MBB-Aerospatiale air-to-air combat helicopter program has been plagued by disagreements on design features, and the five-nation European Fighter Aircraft consortium recently collapsed due to differences over design and production management. Disagreements typically arise in the conceptual design stage, where the requirements of individual countries must be converted into hardware. During this stage, specifications for engine, avionics, and airframe are decided and shares of production assigned. We believe these decisions will lead to irreconcilable disputes forcing some of the five countries to pull out of the program and leaving perhaps only two or three companies agreeing to build the helicopter.

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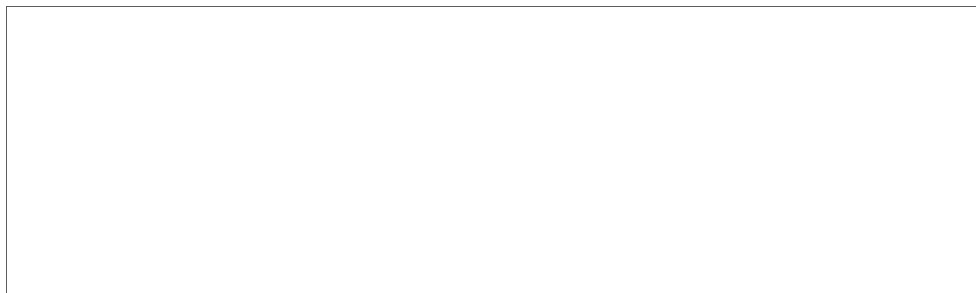
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**Turkey****Cabinet Changes Enhance Role of Moderates**

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In his third reshuffle of government ministers since coming to power almost two years ago, Prime Minister Ozal "accepted the resignation" of a troublesome Minister of State, demoted a controversial Minister of Education to take his place, and placed a moderate in charge of the education portfolio. The moves, which came as no surprise, were intended to increase Ozal's control over his Cabinet and strengthen discipline within the government.

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Cemal Buyukbas's resignation as Minister of State was the first step in the reshuffle. Prime Minister Ozal had demoted him last January from the post of Minister of Energy in connection with the resignation of another Minister of State on bribery charges. Friction between Ozal and Buyukbas had continued since then. Buyukbas's resignation, in turn, opened the way for Ozal to demote the Minister of Education, Vehbi Dincerler, an outspoken Islamic fundamentalist whose flamboyant deportment and religiously oriented actions had provoked widespread criticism in the press and from the leftist opposition. Ozal has assigned Dincerler responsibilities for official statistics, housing, and various industries—a portfolio that is designed to keep him muzzled and largely out of the public eye. The new Minister of Education, Metin Emiroglu, is a moderate parliamentary deputy from Ozal's home district of Malatya. He will bring some much-needed decorum to the Ministry and may also strengthen Ozal's hand in dampening party infighting among adherents of two banned rightist parties: the Islamic fundamentalist National Salvation Party and the ultrarightist National Action Party. Factional squabbling had broken into the open following the removal of two Cabinet ministers on corruption charges last October.

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Greece**Papandreou Reins In Party Ideologues**

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Prime Minister Papandreou's recent shakeup of his Panhellenic Socialist Movement party (PASOK) is aimed at curbing the activities of party dissidents and weakening the power base of some of his more ambitious lieutenants. At a meeting of the party's Central Committee late last month, Papandreou replaced eight of 11 members of the powerful Executive Bureau, the key decisionmaking body of the party. In the place of outgoing bureau members—many of whom also hold cabinet-level posts in the government and are immensely popular within the party—he appointed lesser known nonideological individuals who owe their

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positions entirely to his largess. At the same time, he announced a number of organizational changes that in effect will dilute the power of the party's local-level committees and trade unions.

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Papandreou's bold moves are clearly meant to remind the party ideologues that he remains in charge and will not easily tolerate challenges to his authority. In particular, the changes were aimed at undercutting the recent activities of certain factions dissatisfied with the government's failure to implement its more radical policies. Papandreou's head-on assault of the party's left wing may also portend the beginning—albeit tentative—of a shift in domestic and foreign policies toward a more moderate direction.

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Italy**Cabinet Introduces 1986 Budget**

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After a month of sometimes contentious debate, the Italian Cabinet has agreed on a budget proposal for 1986 that would stem the growth of Italy's massive public-sector deficit, now 15.7 percent of GDP. The plan presented to Parliament in late September calls for slightly lower income taxes to be offset by a \$4.4 billion cut in social spending. Italians will be required to pay more of their medical and transportation costs and contribute more toward social security to prevent the deficit from rising above the projected \$55.4 billion, or 14.5 percent of estimated GDP.

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As presented, the 1986 budget is a politically strong step toward addressing Italy's budget problems. Winning agreement from the five parties in the Cabinet was not easy. In Parliament the Communist Party will strongly oppose the spending cuts and is likely to pick up enough support from sympathetic leftist members of the coalition to force the government to backpedal. In his two years in office, Prime Minister Craxi has been unable to reduce the budget deficit; another failure will undermine confidence in his ability to direct Italy's economic policy.

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Denmark**Tight Fiscal Policy**

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The Danish Government's budget for 1986 imposes new stringent controls on government spending. The planned rise of 1.2 percent in expenditures actually represents about a 1-percent cut in real terms. Moreover, Copenhagen hopes that a new reform—requiring ministries seeking to hike spending under one program to find corresponding savings in another—will enable the government to avoid supplemental budget increases during the fiscal year. On the revenue side, the budget anticipates a 6-percent increase, mainly through higher tax rates on corporate earnings and pension fund contributions. As a result, the deficit in the central government budget is expected to shrink from about 6 percent of GDP in 1985 to just over 4 percent in 1986.

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A major reason for austerity is the current account deficit, which is expected to reach \$2 billion this year—almost 30 percent greater than in 1984. Domestic consumption, which has a high-import content, remains strong. Moreover, large

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private capital imports—the result of a growing economy and confidence in the Danish krone—will continue to add to the already substantial interest payments on foreign debt. To reduce the level of aggregate spending and curb imports, the opposition Social Democrats and members of the governing coalition may push for a tax increase early next year.

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Poland-USSR**Cooperation Accords**

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The USSR and Poland signed an agreement last month to cooperate in industry and technology over the next five years. Warsaw and Moscow have selected seven priority areas and 85 specific projects on which to concentrate research. Specialists are slated to work together in the fields of electronics, energy, biotechnology, and the consumer goods and machinery sectors. Research goals include the development of aircraft guidance systems; digital color televisions; energy-conservation projects; and new varieties of grain, food, and drugs. Cooperation will continue on many of these same projects to the year 2000.

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These agreements along with several accords signed earlier this year seem to be elaborations of the long-term program for developing economic, scientific, and technical cooperation signed in May 1984. The agreements may offer a better chance for success than past accords because of their specificity. The cooperation, however, could be a drain on Poland, which needs to invest in projects more orientated to Western markets to increase hard currency exports and pay off debts.

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Bulgaria-USSR**Continuing Political Problems**

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The Bulgarians are becoming jittery about Soviet displeasure with their party's mismanagement as Bulgarian leader Zhivkov prepares for a meeting with General Secretary Gorbachev next month and for a party congress in February. Editorials in the Bulgarian party daily on 16 and 23 September strongly criticized party officials at all levels for corruption, cronyism, and inefficiency and called for tighter party control and greater attention to ideological purity.

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Gorbachev will extend his stay in Sofia for two days after the Warsaw Pact summit this month. The source linked the extension to a possible discussion of organizational and personnel changes in Bulgaria.

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Zhivkov, however, is not behaving as if the party's discipline campaign applies directly to him. He recently hosted a lavish annual reception for foreign chiefs of mission—including the Soviet ambassador—which culminated with a risqué floor show at a hotel bar supplied with ample quantities of alcohol. The recent press attacks mimic Gorbachev's own crackdown on corruption in the USSR and are clearly intended to placate Moscow. The causes behind Bulgaria's declining economy are likely to dominate any discussions between Zhivkov and Gorbachev. If economic problems persist, Moscow may urge the 74-year-old Zhivkov to make significant leadership changes at the coming party congress.

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Secret**Czechoslovakia-
West Germany****Relations Back on Track** [REDACTED]

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Relations between West Germany and Czechoslovakia have improved to their highest level since the sharp downturn following Bonn's acceptance of INF deployments in late 1983, [REDACTED]

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While unwilling to characterize the relationship as "good," [REDACTED] the warmer climate surrounding talks in August between the two countries' foreign ministers—including Czechoslovak Foreign Minister Chnoupek's avoidance of the usual references to West German "revanchism"—as evidence that bilateral relations are "normalizing." [REDACTED] a substantial increase in the number of bilateral contacts, including a possible visit to Prague next spring by Chancellor Kohl. A visit by Kohl was originally set for this fall but was postponed by the Czechoslovaks after he spoke this summer to a West German Silesian refugee organization. [REDACTED]

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Prague's friendlier posture toward Bonn echoes Moscow's efforts to project a more conciliatory image toward Western Europe under General Secretary Gorbachev; the Czechoslovaks probably are the most loyal supporters of the USSR's foreign policy line within the Bloc. Czechoslovakia also has reasons of its own to improve relations with West Germany. Bonn is Prague's leading Western trading partner, and the Czechoslovaks need West German cooperation and technology in their faltering efforts to combat worsening pollution along their border. The two countries are close to signing a joint environmental agreement, although Prague is still holding out against inclusion of a clause implying acceptance of West Germany's right to represent West Berlin in international relations. [REDACTED]

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Articles

**Eastern Europe: Experience
With the IMF** ¹

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The International Monetary Fund (IMF) shepherded Yugoslavia, Romania, and Hungary through the worst of their debt crises in the early 1980s. The East European members rank among the leading borrowers from the Fund, and IMF credits gave these countries breathing room to improve payments performance. The IMF, however, has had difficulty adapting its policy guidance to Communist economic systems. Fund programs have not produced the adjustment needed for these countries to achieve sustained economic growth without payments problems.

Early Relations

The IMF's inability to attack the root causes of the payments problems predates the region's recent crisis. Staff assessments during the 1970s pointed out flaws in these economies that hurt trade performance. Yet the IMF programs designed to correct balance-of-payments difficulties focused largely on controlling monetary growth and investment and failed to prod the regimes to attack systemic weaknesses.

New Program Conditions

Since the failure of large standby programs given Romania and Yugoslavia in 1981, IMF programs have tried to correct inefficiencies in resource allocation which the Fund believes are behind poor export competitiveness and sluggish growth. Expanded performance criteria have tried to give greater weight to market incentives—similar to Fund recommendations for market economies and most Third World debtors. East European policymakers, however, managed instead to produce trade surpluses

by tightening controls on investment and consumption, foreign exchange allocation, and imports. Although such controls did correct payments deficits, we believe the associated distortions have frustrated the IMF's overriding goal of balanced, sustainable growth.

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The Problem of Reform

In our opinion, the changes needed to achieve the Fund's goal presume a basic economic reform that none of the regimes seems prepared to implement. The IMF faces the dilemma of either better adapting its policy prescriptions to the political and economic institutions in these countries or insisting that the regimes carry out systemic change so that market instruments will work. The latter option, however, violates the Fund's charter stipulating neutrality on the institutional arrangements of its members and the Fund's contention that the impetus for systemic change must come from the member. Moreover, the major reforms required could involve serious political risks for the leaderships in these countries and in Moscow.

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Although not demanding systemic reform, the IMF's recent programs have challenged political control of resource allocation and have tried to force the governments to put economic efficiency ahead of other priorities. The slight improvement in the three countries' financial positions in the last year has reduced the willingness of these regimes to accept tough Fund prescriptions:

- Romania not only terminated its standby program ahead of schedule in early 1984, but it also

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denounced IMF meddling and reversed many of the changes made at the Fund's insistence.

- Mounting criticism of the IMF won Yugoslavia some easing of IMF conditions; Belgrade is pressing for termination of close IMF supervision after 1985.
- Even Hungary shied away from the thoroughgoing reforms that the Fund anticipated and chose to forgo a new standby arrangement this year.

The Question of Poland

The most complicated challenge facing the IMF in Eastern Europe is the prospective membership of Poland. While most groups in the regime appear eager for membership as a way to win new credits and a better credit rating, they seem unready to accept the Fund's conditions:

- The Fund almost certainly will push Poland to improve debt repayment capacity by curbing consumption, investment, and government spending to a much greater extent than Warsaw would like. The leadership's reluctance to acquiesce would stem in part from the almost certain opposition of much of the population to sweeping new austerity programs.
- Even most regime supporters of membership seem unwilling to consider basic changes. Regime opponents of IMF fear diluting the centralism and greater discipline they believe is necessary for economic recovery.
- The USSR may also complicate IMF dealings with Warsaw. Despite misgivings about closer Polish involvement with the West, Moscow apparently approves Polish membership if borrowing from the IMF can reduce Soviet economic support to Warsaw without risking extensive economic reforms or political liberalization. Nonetheless, Moscow presumably has advised Warsaw on the guidelines for negotiations with the IMF and would intervene if developments seemed to threaten its interests in Poland.

Leading Users of IMF Credit ^a

	Amount (million US \$)	Share of Quota ^b (percent)
Brazil	4,192	287.5
India	3,903	177.3
Mexico	2,695	231.9
Yugoslavia	1,941	317.6
Argentina	1,627	146.6
Korea	1,496	324.3
Turkey	1,326	310.0
Pakistan	1,214	222.9
Morocco	1,067	349.0
Hungary	969	183.2
Thailand	936	242.9
Romania	881	169.1

^a As of 30 June 1985.

^b The limit on cumulative borrowings under standby and extended financing arrangements is currently 450 percent of quota (net of scheduled repayments and excluding borrowings under the compensatory financing facility, the buffer stock financing facility, and the oil facilities).

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Even if agreement is reached, Warsaw's resistance to austerity and basic reforms, as well as the IMF's problems in coming to grips with centrally planned economies, will probably result in a program that is inadequate—if not irrelevant—to Poland's needs. The Poles might try to avoid full implementation, leaving the IMF and Western governments to decide how tough they want to be in enforcing compliance.

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Bulgaria: Slower Economic Growth Ahead ☐

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Bulgaria is struggling with a severe economic slump this year and faces the prospect of slow growth for the foreseeable future. Extreme cold earlier this year and a yearlong drought have aggravated the more basic problems of tightening resource constraints, a rigid bureaucracy, and the need to modernize the industrial base. Despite its reform rhetoric, however, the regime is relying mainly on short-term administrative measures rather than systemic changes to revive its growth prospects. Sofia's modernization plans face significant obstacles, including the need to meet tougher Soviet demands. Debate between those who favor economic reform and expanded ties to the West and those favoring tighter central control is likely to intensify if, as expected, this year's economic slump persists. ☐

1985—Crisis and Response

Bulgaria's economic problems worsened last winter when harsh weather drained energy supplies.

☐ the weather hampered lignite mining, slowed coal and petroleum deliveries from the Soviet Union, and disrupted transportation and distribution. Many factories had to close, and industrial production dropped by more than 4 percent in the first quarter. Exports to CEMA countries declined by more than 7 percent while increased oil imports from Arab countries produced Bulgaria's first hard currency trade deficit since the late 1970s. Exports to the developed West dropped slightly. ☐

Warmer weather brought little relief from energy shortages as drought compounded the problem. Low water levels curtailed irrigation and hydroelectric generation. The continuing tight supplies of energy have hindered recovery in industry, and drought and winterkill have caused problems in agriculture. According to CIA estimates, Bulgaria's 1985 grain harvest will be about 7.8 million metric tons, roughly 7 percent below the 1979-83 average. The US Embassy in Sofia reported last month that the

drought has forced Bulgaria, usually a net wheat exporter, to purchase grain on international markets. ☐

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Measures for Coping

The regime was slow to recognize the severity of last winter's energy crisis, and its reaction thus far has consisted mainly of emergency controls and bureaucratic shakeups. In late February, Sofia instituted an electricity rationing program for households and reorganized the ministry responsible for energy and raw materials. In April the regime instituted a six-day workweek to revive industrial production. ☐

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The energy-rationing scheme lapsed in the spring but was reinstituted in late July when it became apparent that energy reserves remained inadequate. To force greater conservation, the regime in September raised prices on electricity, gasoline, heating oil, drinking water, construction materials, and luxury foods. Sofia is also relying heavily on media exhortation, sanctions, and penalties to increase discipline, productivity, and conservation. ☐

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Sofia has taken advantage of its good standing with Western bankers to finance more imports needed to deal with this year's economic problems. In June and again in August, Bulgaria arranged its first syndicated credits since 1979 on favorable terms. Although Sofia claims that the credits will be used to purchase machinery and spare parts to modernize export industries; declining hard currency earnings, the need to import grain, and the threat of another energy crisis were probably the decisive factors in Bulgaria's decision to resume borrowing. ☐

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Long-Term Problems

Bulgaria's current economic difficulties are the symptoms of more serious problems—tightening resource constraints, the need to modernize and

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Figure 1

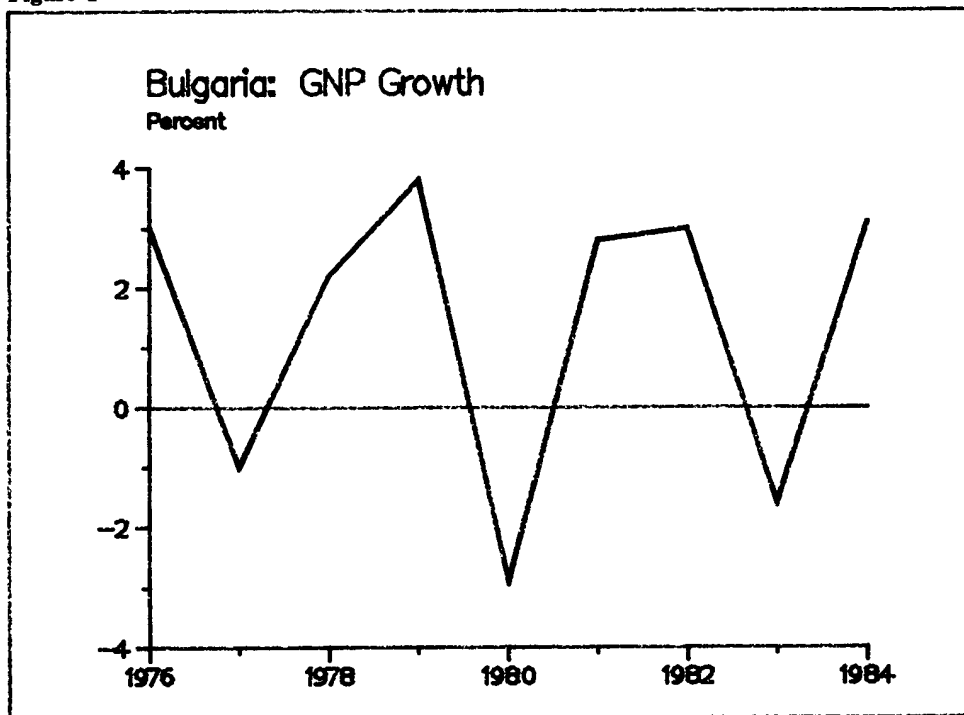
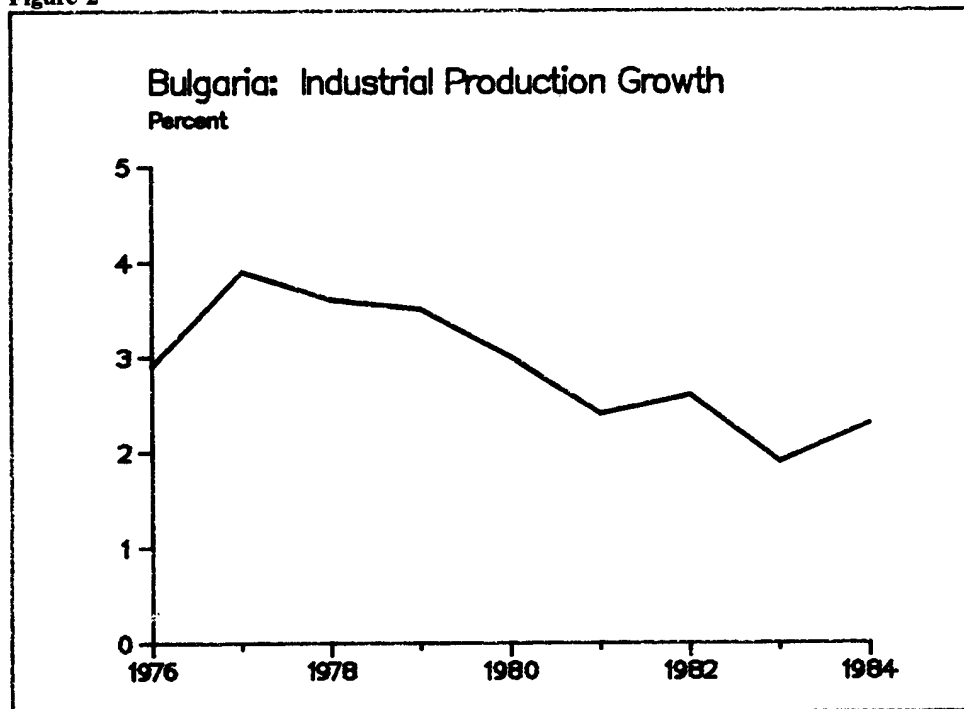


Figure 2



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restructure industry, and bureaucratic inability to adjust quickly to changing economic conditions. These problems have produced a gradual slowdown in industry since the late 1970s. GNP growth, which is influenced heavily by agriculture, has been more erratic. []

Tougher Soviet trade demands have created severe strains on the Bulgarian economy because of its heavy dependence on imported Soviet energy and raw materials. Deteriorating terms of trade and Moscow's insistence on reduced Bulgarian trade deficits have forced Sofia to export more merely to maintain a constant level of imports. More recently, Moscow has begun to demand that Bulgaria improve the quality of its exports of consumer and industrial goods. []

Moscow is not showing any sign of easing its demands in the 1986-90 plans. The USSR is pressing Sofia to increase its investment in Soviet energy and raw material extraction and transportation projects. The long-term economic cooperation agreement signed by Zhivkov and Soviet leader Gorbachev in June stipulates that Bulgaria must participate in pipeline construction and unspecified petroleum projects in the USSR in order to receive current levels of energy deliveries through 1990. []

Modernization Plans

The regime views modernization and industrial restructuring as the key to dealing with the tightening constraints. Bulgaria's leaders have identified electronics, industrial automation, energy, agriculture, food processing, and biotechnology as priority sectors in 1986-90. Energy Minister Todoriev has been involved in talks with Western firms specializing in energy technology, and, [] [] large hard currency outlays have been approved for modernization and construction of energy production facilities. Ministries, foreign trade organizations, and enterprise managers have been tasked with introducing technology that will improve energy and raw material efficiency and productivity. []

Zhivkov has admitted, however, that rapid absorption of modern technology is difficult because of bureaucratic resistance and the low level of education and training of the labor force. In addition, increased

participation in Soviet and CEMA projects will siphon off labor and capital that could be used in domestic modernization programs. []

Finally, Bulgaria's financial situation—although stronger than most of the other East European countries—is not sound enough to permit large increases in imports of machinery and equipment from the developed West:

- The instability of Bulgaria's principal Third World customers, increasing competition from newly industrializing countries, and Soviet demands for an increase in top-quality Bulgarian exports will make it difficult for Sofia to maintain its current level of hard currency exports.

- The soft international oil market, coupled with Moscow's unwillingness to provide more oil, will squeeze Bulgaria's ability to raise hard currency by reexporting oil. []

Sofia is likely to move cautiously in future trade and financial dealings with the West. []

[] some Bulgarian banking officials are stressing the need to make capital improvements as a justification to resume borrowing. At the same time, however, [] Bulgarian leaders, committed to the regime's traditionally conservative financial practices, might move to prevent more borrowing. Deputy Prime Minister Lukanov, a key economic policy maker, recently told US diplomats that Sofia is "politically determined" to remain economically independent of the West. []

Resistance to Change

Sofia's reluctance to relax central controls over economic decision making conflicts with efforts to promote innovation and entrepreneurship. Despite proposed measures intended to give greater autonomy—and, in turn, greater accountability—to enterprises, we see little evidence as yet that managers are becoming more willing to take risks. [] [] most managers still lack the skills as well as the disposition to assume greater responsibilities. []

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Bulgaria's economic reform program is intended to reduce government subsidies to unprofitable enterprises. This would force insolvent firms either to cut costs or go bankrupt. But Bulgarian officials, concerned about the social effects of unemployment, reject the bankruptcy option and promise that subsidies will continue for light industry and other high-cost users of labor and materials. The continuation of subsidies for unprofitable firms not only preserves the inefficient allocation of resources but also brunts incentives to modernize industrial facilities.

improved labor discipline, and rejuvenated management. They have also warned against any tendency toward market-oriented reforms and private enterprise. Gorbachev is likely to deliver some pointed advice about economic policies during meetings with Zhivkov that, according to US Embassy sources, will take place after the Warsaw Pact meeting in Sofia this month.

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Outlook

The Zhivkov regime, despite its emphasis on reform and modernization, will continue to rely on controls and coercive measures to squeeze better performance from workers and enterprise managers. Official exhortation, public reprimands, fines, and sanctions are actually becoming more commonplace. The extension of the workweek and electricity rationing are telling examples of the reality behind current regime rhetoric. It is unlikely that Sofia's ambitious plans will have much impact on economic performance. Given the declining level of Soviet support—along with obstacles to a major boost in domestic investment—Bulgarian economic growth will probably slow down even more over the next few years.

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Debate over the merits of economic reform is likely to intensify if Bulgaria's current economic problems persist and is likely to be high on the agenda of next February's Party Congress. According to the US Embassy, some reform advocates believe that Bulgaria's current economic plight will galvanize even orthodox conservatives on the need to implement meaningful changes in economic policy. On the other hand, we believe that conservatives will seek to blame those who advocate looser central control and expanded ties with the West for Bulgaria's current problems.

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Soviet pressure may become a source of added tension between Moscow and Sofia if Bulgaria's problems worsen. The Soviets have criticized Bulgarian economic policy in recent months, citing the need for better investment policies, reduced bureaucracy,

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Sweden: New Airborne Early Warning Capability

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[] are firming up plans to acquire an airborne early warning capability, probably by 1992. The Defense Materiel Administration is negotiating with Saab-Scania to equip a small number of Saab-Fairchild SF-340 turboprop commuter aircraft with a new radar being designed by Ericsson. Sweden's goal is to improve the ability of its air defense system to rapidly detect and track surface ships and low-flying aircraft or cruise missiles and to direct fighters to intercept them. Last year, for example, the Supreme Commander's program for 1985-90 had called for development of an airborne early warning and intercept control capability by the early 1990s, largely because of violations of Swedish airspace and waters and a perceived threat from cruise missiles. []

Evolving Technical Requirements

[] the Ericsson radar will undergo flight trials in 1987. The radar housing will not resemble the disk found on US E-3A AWACS aircraft; instead, it will be a long rectangular beam—containing a series of small antennas mounted in a row—affixed longitudinally above the aircraft fuselage. []

[] most likely will decide to equip the plane with a communication capability that will link the aircraft to intercept control personnel in underground operations centers. []

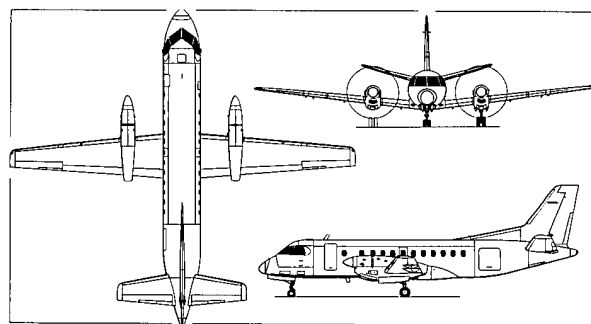


The second production SF-340 twin-turboprop transport, which entered airline service in June 1984, in the insignia of Crossair of Switzerland

Jane's

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SF-340 airliner, which entered service in 1984

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Impact on Air Defense Capabilities

We believe the modified SF-340 may enable Sweden to improve significantly its low-altitude radar coverage and ability to detect airspace violations, depending on the eventual technical characteristics of the radar, the number of aircraft available for patrol and backup duties, and the patrol locations. Moreover, the advantage of flexible deployment which airborne early warning systems have over ground radars would enable Stockholm to deploy the modified SF-340 if necessary to the north and west,

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where little or no detection and tracking abilities
currently exist.

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Economic News in Brief

Western Europe

Greenpeace planning \$1 million Antarctic research station . . . hoping to qualify for Antarctic consultative status . . . could then lobby against exploitative national projects . . . station to be within 700 miles of new French airstrip.

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London liberalizing policy for subsidizing export credits to improve prospects for selection of British firms for major international contracts . . . Ministry of Trade and Industry will have greater authority to offer combination of commercial export credits and government-subsidized foreign aid loans.

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Eastern Europe

Polish Government reported industrial production rose only 2 percent in first eight months of 1985 compared to 6 percent in same period last year . . . trade surplus was \$360 million less as exports to West declined 3 percent and imports increased 10 percent . . . Warsaw unlikely to attain planned growth and probably will have difficulty making payments on foreign debt.

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CEMA Executive Committee in Moscow 24-26 September emphasized direct links at enterprise level rather than ministerial level to achieve integration . . . no mention of progress in coordinating five-year plans in this last meeting before 1986-90 plans take effect.

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Looking Ahead

October
Greece

Greeks will host state visit of East German leader Honecker on 9-11 October . . . part of Prime Minister Papandreou's "multifaceted" foreign policy and Honecker's push to expand high-level Western contacts . . . little of substance likely to result but visit could irritate West Germans, who already have postponed Greek military aid talks because of Papandreou's policies.

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West Germany

Greens will hold regional party congress in Hessen on 27 October . . . will review negotiations for a state-level coalition with Social Democrats . . . parties have agreed on budget issue but remain divided over whether the Greens will get one ministry or two.

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November
Western Europe

West European foreign and research ministers meet in Hannover, West Germany, 5-6 November to discuss EUREKA civilian high-tech research program . . . Italy and smaller EC countries fear program will be dominated by West Germany, France, and United Kingdom . . . meeting unlikely to resolve disagreements on organization, funding, and projects.

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West Germany

Social Democratic Party Chairman Willy Brandt planning additional travels in Eastern Europe this year . . . will be in Prague 8-10 November and hopes to visit Warsaw on 7 December to commemorate 15th anniversary of the Warsaw Treaty . . .

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West German Social Democrats and East Germans to start talks on nuclear-weapons-free zone . . . reached model chemical weapons agreement earlier . . . Kohl government probably will increase attacks on opposition's parallel foreign policy.

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EUR ER 85-023
9 October 1985

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